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ABSTRACT

This guide explains student financial aid programs the U.S. Department of Education's Federal Student Aid (FSA) office administers. The first three pages are a quick reference; the rest of the publication provides more of what you need to know about the financial aid programs offered. (AMT)

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The Student GUIDE

High School Seniors/College Students

ED 482 972

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
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Financial Aid from the U.S. Department of Education

UPDATE ALERT! At the time this guide was published, Congress was evaluating the laws that govern the Federal Student Aid (FSA) programs. Some information might have changed since this publication was printed. To find out, check our online version of the guide at www.studentaid.ed.gov/pubs or talk to the financial aid administrator at the postsecondary school(s) you're considering attending.

Useful Web Sites

Our improved Web site, now called *Student Aid on the Web*, allows you to find more information on federal student aid, access *FAFSA on the Web* (the online version of the *Free Application for Federal Student Aid* [FAFSA]), obtain a PIN (needed to apply electronically), or look up the status of your federal student loan. You can access federal student aid publications (in English and Spanish). You can even use the site to help you decide on a career and locate schools that offer majors in that field. Then "tour" various schools and apply to them online without leaving the site.

With the feature, "MyFSA," you can create a personalized folder to record your interests, career and college searches, and any relevant personal information. Track your progress in the college planning and application process, pre-populate fields on the FAFSA before applying, and compare financial aid award letters when deciding on a final school. For this and much more, visit . . . . . **www.studentaid.ed.gov**

Help completing the FAFSA . . . . . **www.studentaid.ed.gov/completefafsa**

Direct Loan Web site . . . . . **www.ed.gov/DirectLoan**

U.S. Department of Labor's *Occupational Outlook Handbook*
(information on various careers and their potential earnings) . . . . . **www.bls.gov/oco**

Frequently Requested Telephone Numbers

General information about the federal student aid programs, assistance in completing the FAFSA, and information about *FAFSA on the Web* are available through the Federal Student Aid Information Center (see page 13 for more information on the Center) . . . . . **1-800-4-FED-AID (1-800-433-3243)**

TTY users (for the hearing-impaired) can call **1-800-730-8913**

Callers in locations without access to 800 numbers may call **1-319-337-5665**
(this is not a toll free number)

To report fraud, waste, or abuse involving federal student aid funds . . . . . **1-800-MIS-USED (1-800-647-8733)**

Information on the Direct Consolidation Loan Program **1-800-557-7392**

TTY users can call **1-800-557-7395**

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The Student GUIDE

The Student Guide is free.

If you paid for a copy of this publication, please write to the following address and give us the name and address of the organization that charged you.

Federal Student Aid Information Center
P.O. Box 84
Washington, DC 20044-0084

The English and Spanish versions of *The Student Guide* are also available online at www.studentaid.ed.gov/pubs.

Applying for federal student aid is also free, and you can get free help to complete your application, if you need it (see page 11).

Federal Student Aid AT A GLANCE

This guide explains student financial aid programs the U.S. Department of Education's Federal Student Aid (FSA) office administers. The first three pages are a quick reference; the rest of the publication provides more of what you need to know.

Approximately two-thirds of all student financial aid comes from the federal programs you'll read about here. For additional nonfederal sources of financial aid, talk to the financial aid administrator at the school you plan to attend. Also, visit the library and check out the Internet, in both cases searching under "financial aid" and "student aid."

Beware of scams and services that will search for financial aid money for you for a fee. A law protects you from this type of fraud (see page 5 for more information).

Applying for student aid is free; that's why the application you use is called the *Free Application for Federal Student Aid* (FAFSA). If you need help completing the FAFSA, you can get that help free, too. You don't have to pay anyone for assistance.

WHAT is federal student aid?

- It's financial help if you're enrolled in an **eligible program*** at a school participating in our federal student aid programs. (By "school," we mean a four-year or two-year public or private educational institution, a career school, or a trade school.)
- Aid covers school expenses, including tuition and fees, room and board, books and supplies, and transportation.
- Our aid is based on a student's demonstrated financial need, rather than on grades.

There are three categories of federal student aid:

GRANTS...financial aid you don't have to repay. Generally, you must be an undergraduate student, and the amount you receive depends on your need, **cost of attendance**,* and enrollment status (full time or part time).

- Federal Pell Grants for the 2003-2004 award year (July 1, 2003 to June 30, 2004) ranged from $400 to $4,050.
- Federal Supplemental Educational Opportunity Grants (FSEOGs) range from $100 to $4,000.

WORK-STUDY... money you earn while enrolled in school that will help pay your educational expenses. The Federal Work-Study Program encourages community service work and work related to your course of study, whenever possible. You can be an undergraduate or graduate student.

LOANS...borrowed money you must repay with interest. You can be an undergraduate or graduate student. Parents may also borrow to pay the education expenses of their dependent undergraduate students. Maximum loan amounts depend on your grade level in school.

Federal Perkins Loans are offered by participating schools to students who demonstrate the greatest financial need (Federal Pell Grant recipients get top priority). You repay the loan to your school.

Stafford Loans are made to students and PLUS loans are made to parents through two loan programs:

- William D. Ford Federal Direct Loan (Direct Loan) Program: Eligible students and parents borrow directly from the federal government at participating schools. Direct Loans consist of Direct Stafford Loans, Direct PLUS Loans, and Direct Consolidation Loans. You repay these loans to us (the U.S. Department of Education).
- Federal Family Education Loan (FFEL) Program: Private lenders provide federally guaranteed funds. FFELs consist of Federal Stafford Loans, Federal PLUS Loans, and Federal Consolidation Loans. You repay these loans to the bank or other private lender that made you the loan.

NOTE: Not all schools participate in all our student aid programs. Check with your school's financial aid office to see which programs are available.

***See "Important Terms," page 29.**
(You'll see words new to you but frequently used in discussing financial aid. These words appear in boldface type with an asterisk [*], and you'll find a description of them under "Important Terms," beginning on page 29.)

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WHO gets federal student aid?

Some of our eligibility requirements are that you must

- Be a U.S. citizen or **eligible noncitizen*** with a valid Social Security Number.
- Demonstrate by one of the following means that you are qualified to obtain a postsecondary education:
  - Have a high school diploma or a **General Education Development (GED) Certificate.***
  - Pass an approved ability-to-benefit (ATB) test.
  - Meet other standards your state establishes that we have approved.
  - Complete a high school education in a home school setting approved under state law.
- Enroll in an **eligible program*** as a **regular student*** seeking a degree or certificate.
- Register (or have registered) with the Selective Service if you're a male between 18 and 25.

A complete list of eligibility requirements is on page 7.

HOW do you apply for federal student aid?

1. Complete the *Free Application for Federal Student Aid* (FAFSA)—the online version (*FAFSA on the Web*) or the paper FAFSA.

- For *FAFSA on the Web*, you can go to www.fafsa.ed.gov (or to www.studentaid.ed.gov and get general student aid information as well).
- You can get a paper FAFSA from
  - a high school guidance office,
  - a college financial aid office,
  - a local public library, or
  - our Federal Student Aid Information Center by calling 1-800-4-FED-AID (1-800-433-3243).

You can apply beginning January 1, 2004, and you have until June 30, 2005 to submit your FAFSA. But, be sure to check the FAFSA for the list of deadlines for state aid. Schools and states often set deadlines early in the calendar year that you must meet to receive certain types of funds. Apply as early as you can; you don't want to miss out on any source of aid!

2. Review your *Student Aid Report* (SAR). Based on whether you submitted a paper or an electronic FAFSA, we'll send you either a paper SAR or an electronic SAR, via the Internet. The SAR confirms the information reported on your FAFSA and will contain your Expected Family Contribution (EFC). The EFC is a measure of your family's financial strength and is used to determine your eligibility for federal student aid. To receive your aid, you must have a complete and correct SAR.

3. Contact the school(s) you might attend. Talk with the financial aid office staff at the school(s) you're interested in attending. Make sure they have all the information they need to determine your eligibility. The financial aid administrator will review your SAR, and if you're eligible, will prepare a letter outlining the amount of aid (from all sources) the school will offer you.

*See "Important Terms," page 29.

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Federal Student Aid Summary

The following is a summary of the U.S. Department of Education's Federal Student Aid (FSA) programs that will help you pay for school. Check with your school to find out which programs your school participates in.

Federal Student Aid Program	Type of Aid	Program Details	Annual Maximum Award Limits
Federal Pell Grant	Grant: does not have to be repaid	Available almost exclusively to undergraduates; all eligible students will receive the Federal Pell Grant amounts they qualify for	$4,050 for 2003-04; 2004-05 amount will depend on program funding
Federal Supplemental Educational Opportunity Grant (FSEOG)	Grant: does not have to be repaid	For undergraduates with exceptional financial need; priority is given to Federal Pell Grant recipients; funds depend on availability at school	$4,000
Federal Work-Study	Money is earned while attending school; does not have to be repaid	For undergraduate and graduate students; jobs can be on campus or off campus; students are paid at least minimum wage	No annual maximum
Federal Perkins Loan	Loan: must be repaid	Five percent loans for both undergraduate and graduate students; payment is owed to the school that made the loan	$4,000 for undergraduate students; $6,000 for graduate students
Subsidized FFEL or Direct Stafford Loan	Loan: must be repaid	**Subsidized:** U.S. Department of Education pays interest while borrower is in school and during grace and deferment periods	$2,625 to $8,500, depending on grade level
Unsubsidized FFEL or Direct Stafford Loan	Loan: must be repaid	**Unsubsidized:** Borrower is responsible for interest during life of the loan	$2,625 to $18,500, depending on grade level (includes any subsidized amounts received for the same period)
Federal PLUS Loan	Loan: must be repaid	Available to parents of dependent undergraduate students	Cost of attendance minus any other financial aid the student receives

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Finding Out About STUDENT AID

After reviewing this publication, if you still have questions about our programs, you can go online to www.studentaid.ed.gov, our Web site that provides comprehensive information on the student aid process and links to other student aid-related sites. (See the inside cover of this publication for more information on this site.) Or, you can call our Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243).

The cost of education or training after high school continues to rise, so you need to learn about as many sources of aid as you can. The following free resources can help you find out about federal and other student aid:

- The financial aid administrator at each school you're interested in can explain the school's aid programs and the total **cost of attendance**.*
- The state higher education agency in your home state can give you information about state aid—including aid from the Leveraging Educational Assistance Partnership (LEAP) Program, funded jointly by states and us.
- The AmeriCorps Program provides full-time educational awards in return for work in community service. You can work before, during, or after your postsecondary education, and you can use the funds either to pay current educational expenses or to repay federal student loans. For more information on the availability of these awards, call 1-800-942-2677. The TTY number is 1-800-833-3722. Information is also available at www.americorps.org.
- The agency in your state responsible for public elementary and secondary schools can give you information on the Robert C. Byrd Honors Scholarship Program (Byrd Program). You must demonstrate outstanding academic achievement and show promise of continued academic excellence. For more information, call 1-800-4-FED-AID (1-800-433-3243) or visit www.ed.gov/offices/OPE/HEP/idues/byrd.html.
- Students.gov, the student Internet gateway to the U.S. government, provides access to government resources to help you plan and pay for your education. Besides finding financial aid information, you can use the Web site to file your taxes, search for a job, and take advantage of other government services.
- Public libraries are an excellent source of information on state and private sources of aid.
- Many companies and labor unions have programs to help pay the cost of postsecondary education for employees and/or their children.
- Foundations, religious organizations, fraternities or sororities, and town or city clubs often offer financial assistance. Include in your search community organizations and civic groups such as the American Legion, YMCA, 4-H Club, Elks, Kiwanis, Jaycees, and the Girl or Boy Scouts.
- Organizations connected with your field of interest can be helpful—for example, the American Medical Association and the American Bar Association are good sources for students seeking specialization in those fields.
- The U.S. Armed Forces also offer financial aid opportunities. For more information on recruitment incentives, visit the U.S. Department of Defense Defenselink Web site at www.todaysmilitary.com. Under "What Do You Need?," select "Learn about benefits and rewards," and go to "College Help." You can also contact your local recruiter.
- Your local U.S. Department of Veterans Affairs office offers assistance. If you (or your spouse) are a veteran or the dependent of a veteran, veterans' educational benefits may be available. Information is also available through the Internet at www.gibill.va.gov or call 1-888-GIBILL-1 (1-888-442-4551).

*See "Important Terms," page 29.

- The Internal Revenue Service (IRS) offers two federal income tax credits (dollar-for-dollar reductions in tax liability) for higher education expenses.
  - The Hope tax credit, worth up to $1,500 per student, is available for first- and second-year students enrolled at least **half time.***
  - The Lifetime Learning tax credit is a tax benefit equal to 20 percent of a family's tuition expenses, up to $10,000, for virtually any postsecondary education and training, including subsequent undergraduate years, graduate and professional schools, and even less-than-**half-time*** study.

For more information on the Hope and Lifetime Learning tax credits, and other tax benefits for postsecondary students, go to www.irs.gov. IRS Publication 970, *Tax Benefits for Higher Education*, which explains these credits and other tax benefits, is available online. Or, call the IRS at 1-800-829-1040. TTY callers can call 1-800-829-4059.

- The Internet also has information on private sources of aid. Search under the keywords "financial aid," "student aid," "scholarships," etc.

Scholarship Scams

Be careful when searching for information on student financial assistance. Make sure information and offers are legitimate. Don't fall prey to fraud. Estimates show that families lose millions of dollars to scholarship fraud every year.

The College Scholarship Fraud Prevention Act enhances protection against fraud in student financial assistance. The Federal Trade Commission (FTC) cautions students to look for these telltale lines:

- "The scholarship is guaranteed or your money back."
- "You can't get this information anywhere else."
- "I just need your credit card or bank account number to hold this scholarship."
- "You've been selected by a 'national foundation' to receive a scholarship" or "You're a finalist" in a contest you never entered.

To file a complaint, or for free information, call 1-877-FTC-HELP (1-877-382-4357). The TTY number is 1-866 653-4261. Or, visit www.ftc.gov/scholarshipscams.

Another Warning . . . About Identity Theft

Besides being careful about scholarship scams, you need to be aware of identity theft. What does that have to do with you, a student who doesn't have a lot of money or assets? Identity thieves don't steal money; they steal your name and ruin your credit. Identity theft occurs when someone obtains personally identifying information about you, such as your Social Security Number and driver's license number, and uses your name to obtain credit cards, loans (including student loans), or merchandise and services in your name. Identity thieves often run up thousands of dollars in credit card debt, just to name one problem, and the bills come to you for payment. Your credit rating is likely to be ruined; even though it's not your fault, you are the one who has to clear up the damage, and that can take months or even years.

How can this happen? It might occur just because you use a personal computer for online banking transactions, for buying merchandise, or purchasing tickets for travel or other services. Sometimes just using a cell phone or using your Social Security Number for identification can leave you at risk. Why? Each of these transactions requires you to share personal information such as your bank and credit card numbers or your name, address, and phone number. Sometimes, this information can fall into the wrong hands.

What can you do about it?

- Don't just toss credit card applications you don't want; destroy them beforehand so no one can retrieve an application and apply for a credit card in your name.
- Be sure you safeguard your Social Security Number. You generally have to provide it to your employer or your bank, but if a business wants it, ask why it's needed and how it will be used before you give it out.
- Never give personal or financial information over the phone or the Internet unless you initiated the contact.
- If you decide to apply for our federal student aid programs over the Internet, do so at www.fafsa.ed.gov or through www.studentaid.ed.gov, which are our Web sites and are protected. Keep your student identifier, your PIN number (see page 9), in a secure place and don't give it to anyone.

*See "Important Terms," page 29.

These are just a few of the basic steps you can take. For more information, you can contact the FTC, the agency we've mentioned above, at this Web site: www.consumer.gov/idtheft. Or, call 1-877-IDTHEFT (1-877-438-4338). To find out how you can prevent problems that would affect your federal student aid, call 1-800-MIS-USED (1-800-647-8733) or go to www.ed.gov/misused.

General INFORMATION

Student Eligibility

To receive aid from any federal student aid program discussed in this publication, you must meet the following criteria:

- Demonstrate financial need, except for some loan programs.
- Demonstrate by one of the following means that you are qualified to enroll in postsecondary education:
  - Have a high school diploma or a **General Education Development (GED) Certificate.***
  - Pass an approved ability-to-benefit (ATB) test.
  - Meet other standards your state establishes that we have approved.
  - Complete a high school education in a home school setting approved under state law.
- Be enrolled or accepted for enrollment as a **regular student*** working toward a degree or certificate in an **eligible program.*** (You may not receive aid for correspondence or telecommunications courses unless they are part of an associate's, bachelor's, or graduate degree program.)
- Be a U.S. citizen or **eligible noncitizen.***
- Have a valid Social Security Number (unless you're from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau). If you need a Social Security Number, you can find out more about applying for one through the Internet at www.ssa.gov or call 1-800-772-1213. TTY users can call 1-800-325-0778.
- Meet **satisfactory academic progress*** standards set by the postsecondary school you are or will be attending.
- Certify that you will use federal student aid only for educational purposes and certify that you are not in **default*** on a federal student loan and do not owe money on a federal student grant (which could happen if you withdraw from school, for example).
- Comply with **Selective Service registration,*** if required. If you're a male aged 18 through 25, and you haven't yet registered, you can give the Selective Service permission to register you by checking a box on the FAFSA. You can also register through the Internet at www.sss.gov or call 1-847-688-6888. TTY users can call 1-847-688-2567.

The law suspends aid eligibility for students convicted under federal or state law of selling or possessing illegal drugs. If you have a conviction or convictions for these offenses, you need to find out how this law applies to you. You can call 1-800-4-FED-AID (1-800-433-3243) for information or go to www.fafsa.ed.gov, click on "Worksheets" in the left column, then select "Drug Worksheet." Even if you're ineligible for federal aid, you should complete the FAFSA because schools and states use the information in awarding nonfederal aid. You must complete Question 31 of the FAFSA; if you leave it blank, you'll automatically become ineligible for federal student aid.

Incarcerated students have limited eligibility for federal student aid. Such students are not eligible for aid under any of the federal student loan programs. An incarcerated student is eligible for a Pell Grant *only* if he or she is *not* incarcerated in a federal or state penal institution.

When you apply for aid from FSA programs, we verify some of your information with certain federal agencies, including the Social Security Administration (for verification of Social Security Numbers and U.S. citizenship status). If the information doesn't "match," the discrepancy will have to be resolved for you to receive aid. In addition to other agencies, we also check your records against our database, the **National Student Loan Data System (NSLDS)*** for verification that you don't have a defaulted federal student loan, didn't receive an overpayment on a federal grant or a Federal Perkins Loan, and haven't borrowed more than the total limit allowed.

*See "Important Terms," page 29.

Financial Need

Aid from most of the programs discussed in this publication is awarded on the basis of financial need (except for unsubsidized Stafford and PLUS loans—see page 19).

Need is based on the following equation:

Cost of Attendance*
— Expected Family Contribution (EFC)

= Financial Need

The information you report on the *Free Application for Federal Student Aid* (FAFSA) is used to calculate your EFC, which is a measure of your family's financial strength. The EFC is used to determine your eligibility for federal student aid. The formula for the EFC calculation is established by law.

If your EFC is below a certain number, you'll be eligible for a Federal Pell Grant, assuming you meet all other eligibility requirements (see page 7). The EFC is used to determine eligibility for other federal student aid programs, but there isn't a maximum EFC eligibility threshold for those programs. (See pages 14 through 26 for information on these programs.)

You can get worksheets that show how the EFC is calculated by downloading them from our Web site at www.studentaid.ed.gov/pubs. Click on the award year appropriate to you under "The EFC Formula." You can also get the worksheets by contacting the Federal Student Aid Information Center at the address or phone number given on page 13.

NOTE: The financial aid administrator puts together a **financial aid package*** that comes as close as possible to meeting your need. Because most funds are limited, though, the total amount awarded to you might fall short of the amount you're eligible for. Also, except for Federal Pell Grant aid, the amount of federal student aid you receive is affected by other sources of aid you might get—scholarships, state aid, etc. Each school you're interested in will send you a notice of the types and amounts of aid you're eligible for.

Special Circumstances

Although the formula used to determine eligibility for federal student aid is basically the same for all applicants, there is some flexibility.

In some cases, your financial aid administrator might adjust your **cost of attendance*** or the information used to calculate your EFC to take into account special circumstances you might have. These circumstances could include your family's unusual medical expenses, tuition expenses, or unemployment.

There must be compelling reasons for the financial aid administrator to take this step, however, and you'll have to provide adequate documentation to support any adjustments. Note that the financial aid administrator's decision as to whether you have special circumstances is *final* and can't be appealed to us.

Dependency Status

When you apply for federal student aid, your answers to the questions in Step 3 of the FAFSA (or in Step 2 of the online FAFSA, *FAFSA on the Web*) will determine whether you're considered dependent on your parents or independent. If you're considered dependent, you must report on the FAFSA your parents' income and assets as well as your own. If you're independent, you'll report only your own income and assets (and those of your spouse, if you're married). Not living with your parents or not being claimed by them on their tax form does not determine your dependency status.

For the 2004-2005 academic year, you're an *independent* student if at least one of the following applies to you:

- You were born before January 1, 1981.
- You're married as of the day you apply (or separated but not divorced).
- You are or will be enrolled in a master's or doctorate program (beyond a bachelor's degree) at the beginning of the 2004-2005 school year.
- You have children who receive more than half their support from you.
- You have dependents (other than your children or spouse) who live with you and who receive more than half their support from you and will continue to receive more than half their support from you through June 30, 2005.

*See "Important Terms," page 29.

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- Both your parents are deceased, or you are or were (until age 18) a ward/dependent of the court.
- You're a veteran of the U.S. Armed Forces. (A "veteran" includes students who attended a U.S. service academy and who were released under a condition other than dishonorable. For more detail on who is considered a veteran, see the explanatory notes on the FAFSA.)

In unusual cases, an aid administrator can determine that a student who doesn't meet the above criteria should still be treated as an independent student. The financial aid administrator can change your dependency status from dependent to independent based on adequate documentation of your special circumstances that you must provide. But, the aid administrator won't automatically do this. The decision is based on the aid administrator's judgment and is final—you can't appeal that decision to us.

Applying

How do I apply?

If you applied for federal student aid for the 2003-2004 school year, you can probably file a 2004-2005 Renewal FAFSA. Renewal FAFSAs are discussed on page 10.

If you didn't file for 2003-04, you'll submit the 2004-2005 *Free Application for Federal Student Aid* (FAFSA)—either through the Internet (using *FAFSA on the Web*) or by completing a paper FAFSA.

FAFSA on the Web. You can apply by going to www.fafsa.ed.gov. Or, you can access *FAFSA on the Web* by going to www.studentaid.ed.gov. At that site, click on the FAFSA logo in the left column.

We recommend using *FAFSA on the Web*, if possible:

- *FAFSA on the Web* immediately identifies potential errors and prompts you to make on-the-spot corrections.
- You get online instructions for each question, and you can "chat" live online with a customer service representative if you have further questions.
- Once you submit your application, your information goes immediately into the U.S. Department of Education's Central Processing System (CPS). (You'll know this because you'll get a confirmation right away when you click on "Submit My FAFSA Now.")

  The CPS will process your application in three to five days, provided you (and your parents, if applicable) have provided electronic signatures (see the PIN discussion below).

The paper FAFSA. If you don't have Internet access, you can get a paper FAFSA from your high school, local library, postsecondary school, or from the Federal Student Aid Information Center at the address or phone number given on page 13. Mail the FAFSA in the pre-addressed envelope that's in your FAFSA packet. Your application will be processed in two to four weeks. Or, before mailing it, you could check to see if your school, or a school that interests you, will submit your FAFSA information electronically.

NOTE: You must reapply for federal student aid every year. Also, if you change schools, your aid doesn't automatically transfer with you. Check with your new school to find out what you must do to continue receiving aid.

I've heard about a PIN. What is it and what is it used for?

A PIN is an electronic access code number that serves as your identifier. A PIN lets you access your personal federal student aid information online in various U.S. Department of Education systems.

If you apply using *FAFSA on the Web*, having a PIN allows you (and your parents, if they have a PIN and you're a dependent student) to "sign" your FAFSA electronically, which means the student aid process can be completed totally online. *FAFSA on the Web* filers who are new applicants (and their parents, if applicable) can request a PIN at www.pin.ed.gov.

You should get a PIN before completing *FAFSA on the Web*, so you (and your parents, if applicable) can electronically sign your application *before* it's submitted. If you don't request a PIN, you can always print out, sign, and mail in a signature page within 15 days of submitting your FAFSA, but the application process will take longer.

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Even if you file electronically and don't request a PIN, or even if you file a paper FAFSA, you'll receive a PIN if certain personal data (see below) matches the Social Security Administration's records. A PIN has other uses besides signing an application electronically. You can use your PIN to

- access your Student Aid Report (SAR), which is your processed FAFSA data;
- make corrections to your application information;
- electronically sign a master **promissory note*** for a federal student loan;
- complete a Renewal FAFSA; and
- access your applicant data records online. You can, among other things, check your student loan history through our **National Student Loan Data System (NSLDS)*** and access your Direct Loan account through Direct Loan Servicing.

When requesting a PIN, you'll need to provide your name (as it appears on your Social Security card), your Social Security Number, date of birth, and mailing address. After that information has been verified with the Social Security Administration's records, a PIN will be generated. If you provide an e-mail address, you'll get an e-mail response that contains a link to your PIN. If you don't provide an e-mail address, you'll get your PIN through regular mail.

Your PIN not only serves as your electronic signature (which has the same legal status as a written signature), it provides access to your personal records, *so don't give your PIN to anyone.* Be sure to remember your PIN; you'll be able to use the same one for future electronic FAFSAs and federal student aid records access.

What if I have questions about the PIN?
You can get answers about the PIN process by going to www.pin.ed.gov. Or, you can go to www.studentaid.ed.gov. At this site, click on "Get Your PIN" in the left column, right above the FAFSA logo. Or, you can call the Federal Student Aid Information Center at 1-800-4-FED-AID.

Can I request a PIN from the Federal Student Aid Information Center?
No, you can only request a PIN by going online.

I applied for federal student aid in 2003-2004. Can I use a Renewal FAFSA?
Yes. Using a Renewal FAFSA means you'll have fewer questions to answer than if you applied with a new application, because most of the Renewal FAFSA will be filled in with information you provided on your 2003-2004 application. You'll only have to update any information that has changed since 2003-2004 and fill in a few new answers.

Depending on several factors, you'll receive either a paper Renewal FAFSA for 2004-2005 or a reminder notice that it's time to reapply for federal student aid. If you get a reminder notice, you'll use a PIN to access your *Renewal FAFSA on the Web*, and you'll apply electronically. When reapplying for aid, review the information that's on the form, add what needs to be filled in or changed, sign it, and submit it. You'll receive either the paper Renewal FAFSA or the reminder notice in November or December 2003, but you can't submit your application before January 1, 2004 (see page 11).

Check with your financial aid administrator if you have questions about the Renewal FAFSA or contact the Federal Student Aid Information Center at the address or toll-free number listed on page 13.

What information do I need to complete a FAFSA accurately?
You'll need the following:

- Your Social Security Number (can be found on your Social Security card)
- Your W-2 Forms and other records of money earned
- Your 2003 Federal Income Tax Return (and that of your spouse, if you're married)[1]
- Your parents' 2003 Federal Income Tax Return (if you're a dependent student)[1]
- Any foreign tax return or tax return from Puerto Rico
- Your 2003 untaxed income records—Social Security, Temporary Assistance to Needy Families, welfare, or veterans benefits records, for example
- Your 2003 bank statements

[1] If you (or your parents, if you're a dependent student according to the FAFSA questions) are eligible for the Earned Income Credit, make sure you get it by filing a tax return. Also, by filing, you'll have an accurate record of your earnings.

*See "Important Terms," page 29.

- Your 2003 business and investment mortgage information; business and farm records; and stock, bond, and other investment records
- Your alien registration card (if you are not a U.S. citizen)

As you fill out the FAFSA, read the instructions carefully! Most mistakes are made because applicants don't follow instructions. Pay special attention to questions on income; most errors occur in that area.

Photocopy your application (or print out a copy of your *FAFSA on the Web* application) so you'll have a copy for your records. Save all other records and materials used to complete the FAFSA because you might need them later to prove the information you reported is correct. The process of documenting your information is called verification. If verification is required, and you don't provide the proof your school requests, you won't receive aid from our programs, and you might not receive aid from other sources.

What if I need help filling out my application?
If you apply using *FAFSA on the Web*, help is built into the program. You can get help live online as well.

You can also go to www.studentaid.ed.gov/completefafsa.

You can contact the Federal Student Aid Information Center with questions on either the paper or electronic FAFSA (see page 13 for contact information). Or, contact your high school guidance counselor or your postsecondary school's financial aid office. **Remember, you can get the help you need for free from one of these sources; you don't have to pay for assistance.**

Will I need to fill out forms in addition to the FAFSA to receive aid?
The FAFSA (or Renewal FAFSA) is the only form you need for federal student aid. To be considered for nonfederal aid, such as aid from your school or a private scholarship, you might have to fill out additional forms. Check with the various schools you're considering about their forms and make sure you know the deadlines for applying.

Parents who want to apply for a PLUS Loan will have to complete different forms (see page 24).

When do I apply for federal aid?
You can apply *beginning* January 1, 2004. If you apply before this date, your FAFSA will be rejected. You should apply as early in 2004 as you can. Try to have the necessary 2003 income tax returns finished (see the previous page) because you can complete the FAFSA more easily and accurately. If you submit your application before you complete a tax return, you'll have to make corrections later if your income or tax information isn't accurate, which will delay the application process. Also, you'll have to return any federal aid you received based on incorrect information.

How do I know if my application has been received?
If you applied through *FAFSA on the Web*, you'll get a confirmation notice after you click on "Submit My FAFSA Now."

If you submitted a paper FAFSA and you want confirmation it was received, send in the postcard that comes with the application. Just fill in the required information and mail it along with the FAFSA. (Don't forget the postage!) When the FAFSA processor receives your application, the postcard will be stamped with the date it's received and mailed back to you for your files. If you don't hear anything about your application within four weeks of the date stamped on the postcard, you can check the status through the *FAFSA on the Web* site (www.fafsa.ed.gov). You can also check by contacting the Federal Student Aid Information Center.

What happens after I apply?
You'll receive one of the following within a range of a few days to four weeks, depending on whether you applied electronically or mailed in a paper FAFSA:

- A Student Aid Report (SAR), if you applied using the paper FAFSA and didn't provide a valid e-mail address; or
- A SAR Information Acknowledgement, if you applied using *FAFSA on the Web* but didn't provide a valid e-mail address, or
- An e-mail containing a secure link so you can access your SAR on the Web, if you provided a valid e-mail address when you applied. If you have a "blocked" folder in your e-mail files, check it. The e-mail from us might come there instead of to your inbox.

If you're a dependent student, you applied electronically, and your parents provided their e-mail address, they will also receive an e-mail when your FAFSA has been processed. They won't receive your data, but they'll know your status. If either you or they forgot to sign your FAFSA, the e-mail your parents receive will include information about how to sign.

Your SAR (in whatever form) will list all the information you reported on your FAFSA. If there are no corrections or additional information required, the SAR will contain your Expected Family Contribution (EFC), the number used in determining your eligibility for federal student aid. (See page 8.) Your EFC will appear in the upper right-hand portion of your SAR. Whether you applied electronically or by paper, we will send your data electronically to the schools you list on the FAFSA.

What do I do with my SAR?
You must review it carefully to make sure it's correct and complete. If it is, and it contains your Expected Family Contribution (EFC), your school will use your information to determine your eligibility for federal—and possibly nonfederal—student aid funds.

If you need to make corrections to the SAR, you can do so in a number of ways:

- With your PIN, you can make corrections online through the Department of Education's *FAFSA on the Web* site, even if you didn't apply using *FAFSA on the Web*.
- Your school might be able to submit the corrections electronically. Check with your school.
- You can make corrections on the paper SAR (if you received one) and return it to the address provided. If you don't have a copy of your SAR, you can request one by calling the Federal Student Aid Information Center using the toll-free number on the next page.

Note that you can't use a SAR Information Acknowledgement to make corrections (only to check the information reported). You'll make your corrections using *FAFSA on the Web*.

You can change your address, change the schools you want to receive your FAFSA information, or change your answer to Question 31 (concerning a drug conviction) by calling the Federal Student Aid Information Center. You cannot make any other changes over the phone. To have the Federal Student Aid Information Center change your schools, you must provide your Data Release Number (DRN), located in the lower left-hand corner of the first few pages of the SAR.

Deadlines

Application Submission
The application processor must receive your application by June 30, 2005, for the 2004-2005 school year. There are no exceptions to this deadline.

Schools and states often set deadlines early in the calendar year that students must meet to receive certain types of funds, including aid from the federal "campus-based" program funds (see page 14 for information on these programs). Make sure you know your school's deadlines so you won't miss out on any aid.

SAR Submission
Your correct, complete application information must be at your school by your last day of enrollment in 2004-2005 or by September 16, 2005, whichever is earlier (check with your school's financial aid office). If your school hasn't received your application information electronically, you must submit your SAR to the school by the deadline. Be sure you know your last day of enrollment in 2004-2005—it will probably be earlier than September 16.

NOTE: If you're selected for verification (see page 11), additional deadlines apply to you. Your financial aid administrator can tell you what they are.

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The Federal Student Aid Information Center

You can get information from the Center for free by calling this number: 1-800-4-FED-AID (1-800-433-3243).

Information specialists at this number can

- help you complete the FAFSA (either electronic or paper).
- answer your questions about a PIN.
- help you make corrections to your SAR.
- tell you whether a school participates in the federal student aid programs and tell you the school's student loan default rate—that is, how many students who attended that school defaulted on their student loans.
- explain federal student aid eligibility requirements and other aspects of student aid.
- explain the process of determining financial need and awarding aid.
- have your application information sent to a specific school.
- send federal student aid publications to you.

You can use an automated response system at this number to find out if your FAFSA application has been processed and to request a copy of your SAR.

TTY users may call 1-800-730-8913.

Callers from locations that do not have access to 800 numbers may call 1-319-337-5665.
This is not a toll-free number.

You can also write to the Federal Student Aid Information Center at the following address:

Federal Student Aid Information Center
P.O. Box 84
Washington, DC 20044-0084

For a list of other frequently requested telephone numbers and Web sites, see the inside front cover of this guide.

Types of Federal STUDENT AID

Federal Pell Grants

What is a Federal Pell Grant?
Unlike a loan, it doesn't have to be repaid. Generally, Pell Grants are awarded only to undergraduate students—those who haven't earned a bachelor's or graduate degree. In some limited cases, however, you might receive a Pell Grant if you're enrolled in a post-baccalaureate teacher certificate program.

Pell Grants are usually a foundation of federal student aid, to which aid from other federal and nonfederal sources might be added. If you're eligible for a Pell Grant, you'll receive the full amount you qualify for.

How do I qualify?
As discussed on page 8, we use a standard formula, established by Congress, to evaluate the information you report when you apply. The formula produces an EFC number. Your SAR contains this number, in the upper right portion of page 1. This number will determine if you're eligible and how much you can receive.

How much money can I get?
Pell Grants for the 2004-2005 award year (July 1, 2004 to June 30, 2005) will depend on program funding. The maximum Pell Grant for the 2003-2004 award year was $4,050. How much *you* get will depend not only on your EFC but also on your **cost of attendance,*** whether you're a full-time or part-time student, and whether you attend school for a full **academic year*** or less. You may receive only one Pell Grant in an award year, and you may not receive Pell Grant funds from more than one school at a time.

How will I be paid?
Your school can credit the Pell Grant funds to your school account, pay you directly (usually by check), or combine these methods. The school must tell you in writing how and when you'll be paid and how much your Pell Grant will be. Schools must pay you at least once per term (semester, trimester, or quarter).

Schools that don't use formally defined, traditional terms must pay you at least twice per **academic year.***

Can I receive a Federal Pell Grant if I'm enrolled less than half time?*
Yes, if you're otherwise eligible. You won't receive as much as if you were enrolled full time, however.

Campus-Based Programs

The three programs discussed in this section are called campus-based programs because they're administered directly by the financial aid office at each participating school. Not all schools participate in all three programs. The Federal Supplemental Educational Opportunity Grant (FSEOG) Program awards grants; the Federal Work-Study Program offers jobs; and the Federal Perkins Loan Program provides low-interest loans. Even though each program is different, they have these characteristics in common:

- How much aid you receive depends on such factors as your financial need (see page 8), the amount of other aid you'll receive, and the availability of funds at your school. Unlike the Federal Pell Grant Program, which provides every eligible student with funds, each school participating in any of the campus-based programs receives a certain amount of funds each year from the federal government for each program. When that money is gone, no more awards can be made from that program for that year.
- Each school sets its own deadlines for students to apply for campus-based funds. The deadlines will usually be earlier than our deadline for filing a FAFSA (for 2004-2005, June 30, 2005). Check with the financial aid offices of the schools you're interested in about their deadlines. You might miss out on aid from campus-based programs if you don't apply early!

*See "Important Terms," page 29.

Federal Supplemental Educational Opportunity Grants (FSEOGs)

What is a Federal Supplemental Educational Opportunity Grant?
An FSEOG is for undergraduates with exceptional financial need—that is, students with the lowest EFCs. Priority is given to students who receive Federal Pell Grants. An FSEOG doesn't have to be paid back.

What's the difference between an FSEOG and a Federal Pell Grant?
Each school participating in the Federal Pell Grant Program will receive enough money to pay the Federal Pell Grant amounts its eligible students qualify for. Every eligible student might not receive an FSEOG, however; students at each school will be awarded these funds based on availability at that school.

How much money can I get?
Between $100 and $4,000 a year, depending on when you apply, your need, the funding level of the school you're attending, and the policies of the financial aid office where you attend school.

How will I be paid?
Your school will credit your account, pay you directly (usually by check), or combine these methods. Schools must pay students at least once per term (semester, trimester, or quarter). Generally, schools that don't use traditional terms must pay you at least twice during the academic year.*

Federal Work-Study

What is Federal Work-Study?
The Federal Work-Study Program provides jobs for undergraduate and graduate students with financial need, allowing them to earn money to help pay education expenses. The program encourages community service work and work related to each student's course of study.

How much will I make?
You'll earn at least the current federal minimum wage, but the amount might be higher depending on the type of work you do and the skills required. Your total Federal Work-Study award depends on when you apply, your level of need, and the funding level of your school.

How will I be paid?
If you're an undergraduate, you'll be paid by the hour. If you're a graduate student, you might be paid by the hour or you might receive a salary, depending on the work you do. Your school must pay you at least once a month. Also, your school must pay you directly, unless you request that the school make payments to your bank account or use the money to pay for your education-related institutional charges such as tuition, fees, and room and board.

Are Federal Work-Study jobs on campus or off campus?
Both. If you work on campus, you'll usually work for your school. If you work off campus, your employer will usually be a private nonprofit organization or a public agency, and the work performed must be in the public interest. Some schools might have agreements with private for-profit employers for Federal Work-Study jobs. These jobs must be relevant to your course of study (to the maximum extent possible). If you attend a proprietary school, there might be further restrictions on the jobs you can be assigned.

Can I work as many hours as I want?
No. The amount you earn can't exceed your total Federal Work-Study award. When assigning work hours, your employer or financial aid administrator will consider your class schedule and your academic progress.

Federal Perkins Loans

What is a Federal Perkins Loan?
A Federal Perkins Loan is a low-interest (5 percent) loan for both undergraduate and graduate students with financial need. Your school is your lender. The loan is made with government funds, and your school contributes a share. You must repay this loan to your school, not to the U.S.

How much can I borrow?
Depending on when you apply, your level of need, and the school's funding level, you can borrow up to

- $4,000 for each year of undergraduate study (the total amount you can borrow as an undergraduate is $20,000).
- $6,000 for each year of graduate or professional study (the total amount you can borrow as a graduate/professional student is $40,000, including any Federal Perkins Loans you borrowed as an undergraduate).

*See "Important Terms," page 29.

Other than interest, is there any charge to get these loans?
A fee is involved for Direct and FFEL Stafford Loans (see page 20) but not for a Federal Perkins Loan. But, after you start to repay, if you skip a payment, make a payment late, or make less than a full payment, you might have to pay a late charge. If you continue not making payments as required, you will have to pay collection costs.

How will I be paid?
Your school will either pay you directly (usually by check) or credit your account. Generally, you'll receive the loan in at least two payments during the **academic year.***

Can I cancel the loan if I change my mind, even if I've signed the promissory note* **agreeing to the loan's terms?**
Yes. Your school must notify you in writing whenever it credits your account with your Perkins Loan funds. You may cancel all or a portion of your loan if you inform your school within 14 days after the date your school sends you this notice, or by the first day of the payment period, whichever is later. (Your school can tell you the first day of your payment period.) If you receive Perkins Loan funds directly by check, you may refuse the funds by returning the check to the school.

When do I pay back this loan?
If you're attending school at least **half time,*** you have nine months after you graduate, leave school, or drop below **half time*** status before you must begin repayment (those on active duty with the military might have longer than nine months). This period of time is called a grace period. If you're attending less than **half time,*** check with your financial aid administrator to determine your grace period.

At the end of the grace period, you must begin repaying your loan. You may be allowed up to 10 years to repay.

Military personnel called to active duty will have additional options to postpone repayment. The school that made the loan should be contacted for more information.

How much will I have to repay each month?
Your monthly payment amount will depend on the size of your debt and the length of your repayment period. The table below shows typical monthly payments and total interest charges for three different 5-percent loans over a 10-year period.

EXAMPLES OF TYPICAL PAYMENTS FOR PERKINS LOAN REPAYMENT

Total Loan Amount	Number of Payments	Approximate Monthly Payment	Total Interest Charges	Total Repaid
$4,000	120	$42.43	$1,091.01	$5,091.01
$5,000	120	$53.03	$1,364.03	$6,364.03
$15,000	120	$159.10	$4,091.73	$19,091.73

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*See "Important Terms," page 29.

Are there any tax incentives available for paying back these loans?

Yes, there are tax incentives for certain higher education expenses, including a deduction for student loan interest for certain borrowers. This benefit applies to all loans used to pay for postsecondary education costs. The maximum deduction is $2,500 a year. IRS Publication 970, *Tax Benefits for Higher Education,* explains these credits and other tax benefits. You can find out more at www.irs.gov or by calling the IRS at 1-800-829-1040. TTY callers can call 1-800-829-4059.

Is it ever possible to postpone repayment of my Federal Perkins Loan?

Yes, under certain conditions, you can receive a "deferment" or "forbearance" on your loan, as long as the loan isn't in **default.*** During a deferment, you're allowed to temporarily postpone payments, and no interest accrues (accumulates). Look under "Perkins Loans" on the chart on page 28 for the list of deferments available.

The school that made your loan must defer your Federal Perkins Loan(s) during periods where you perform a service that qualifies you for loan cancellation. (See the next page for a list of service cancellations.)

Deferments are not automatic. You must apply for one through your school, generally by using a deferment request form your school can give you. You must file your deferment request on time or you'll pay a late charge. For more details on deferments, contact your school's financial aid office.

If you temporarily can't meet your repayment schedule but aren't eligible for a deferment, you can receive forbearance for a limited and specific period. During forbearance, your payments are postponed or reduced. Interest continues to accrue, however, and you're responsible for paying it.

Forbearance is not automatic either. You may be granted forbearance in intervals of up to 12 months at a time for up to 3 years. You must apply for forbearance to the school that made your loan or to the agency the school employs to service your loan. You'll have to provide documentation to show why you should be granted forbearance.

You must continue making scheduled payments until you're notified that deferment or forbearance has been granted. Otherwise, you could become delinquent or go into **default.***

Is it ever possible to have my Federal Perkins Loan discharged (canceled)?

Yes. Federal Perkins Loans can be canceled if the borrower dies or becomes totally and permanently disabled, for example. A loan can also qualify for cancellation under certain other conditions, as long as you're not in **default.*** See the table on the next page for the list of cancellation provisions. For more information, contact your financial aid office.

If you have any questions about the terms of your Federal Perkins Loan, check with the school that made you the loan. Only that school may grant deferment, forbearance, or cancellation, or make other decisions concerning your loan.

***See "Important Terms," page 29.**

PERKINS DISCHARGE/CANCELLATION SUMMARY[1]

Cancellation Conditions	Amount Forgiven
Borrower's total and permanent disability[2] or death	100%
Full-time teacher in a designated elementary or secondary school serving students from low-income families	Up to 100%
Full-time special education teacher (includes teaching children with disabilities in a public or other nonprofit elementary or secondary school)	Up to 100%
Full-time qualified professional provider of early intervention services for the disabled	Up to 100%
Full-time teacher of math, science, foreign languages, bilingual education, or other fields designated as teacher shortage areas	Up to 100%
Full-time employee of a public or nonprofit child- or family-services agency providing services to high-risk children and their families from low-income communities	Up to 100%
Full-time nurse or medical technician	Up to 100%
Full-time law enforcement or corrections officer	Up to 100%
Full-time staff member in the education component of a Head Start Program	Up to 100%
Vista or Peace Corps volunteer	Up to 70%
Service in the U.S. Armed Forces	Up to 50% in areas of hostilities or imminent danger
Bankruptcy (in rare cases—cancellation is possible only if the bankruptcy court rules that repayment would cause undue hardship)	100%
Closed school (before student could complete program of study)—applies to loans received on or after January 1, 1986	100%

[1] As of October 7, 1998, all Perkins Loan borrowers are eligible for all cancellation benefits regardless of when the loan was made or the terms of the borrower's **promissory note.*** However, this benefit is not retroactive to services performed before October 7, 1998.

[2] Beginning July 1, 2002, if you are determined to be totally and permanently disabled based on a physician's certification, you'll have your loan placed in a conditional discharge period for three years. During this time, you don't have to pay principal or interest. If you continue to meet the total-and-permanent disability requirements during, and at the end of, the three-year conditional period, your loan will be canceled. If you don't continue to meet the cancellation requirements, you must resume payment. Total and permanent disability is defined as the inability to work and earn money because of an injury or illness that is expected to continue indefinitely or to result in death. You can't qualify based on a condition that existed before the loan was made, unless a doctor certifies that the condition has substantially deteriorated. For more information on qualifying for this discharge, review your **promissory note*** and contact your loan holder.

Detailed information on teaching service cancellation/deferment options can be found at www.studentaid.ed.gov. At the site, click on "Repaying," then on "Cancellation and Deferment Options for Teachers."

***See "Important Terms," page 29.**

FFEL and Direct Loan Programs

In addition to the Federal Perkins Loan Program (see page 15), we administer the Federal Family Education Loan (FFEL) Program and the William D. Ford Federal Direct Loan (Direct Loan) Program. Both the FFEL and Direct Loan programs consist of what are generally known as **Stafford Loans** (for undergraduate and graduate students) and **PLUS Loans**, for the parents of dependent undergraduates (see page 8 for a discussion of dependency status).

The main difference between FFEL and Direct Loans is that you receive FFEL funds from private lenders such as banks, credit unions, or other lenders that participate in the FFEL Program. Direct Loan funds come from us to your school, which delivers the loan proceeds to you. Often, a school will participate in just one or the other of these programs but sometimes will participate in both. You can receive both FFELs and Direct Loans, but not both types for the same period of enrollment at the same school.

You repay a FFEL to the private lender that made you the loan or to its designated agency. You repay a Direct Loan to us.

Stafford Loans

What are Stafford Loans?
Direct and FFEL Stafford Loans have variable interest rates (unlike Federal Perkins Loans) and are for both undergraduate and graduate students. The loans you receive will be either subsidized or unsubsidized.

- A **subsidized** loan is awarded on the basis of financial need (see page 8). You won't be charged any interest before you begin repayment or during deferment periods (see page 22). The federal government "subsidizes" the interest during these periods.
- An **unsubsidized** loan is not awarded on the basis of need. You'll be charged interest from the time the loan is disbursed until it's paid in full. If you allow the interest to accrue (accumulate) while you're in school or during other periods of nonpayment, it will be capitalized. This means the interest will be added to the principal amount of your loan, and additional interest will be based on that higher amount.

NOTE: If your interest is capitalized, it will increase the amount you have to repay. You can choose to pay the interest as it accumulates; if so, you'll repay less in the long run.

Who can get a Stafford Loan?
If you're a **regular student*** enrolled in an **eligible program*** at least **half time,*** you may receive a Direct or FFEL Stafford Loan. You must also meet other general eligibility requirements (see page 7).

How do I get this loan?
You apply using the FAFSA or Renewal FAFSA (see "Applying," page 9), just the way you would for other federal student aid. Then, you sign a **promissory note*** that you'll get from your lender, for FFEL Stafford Loans, or from your school, for Direct Loans. The **promissory note*** is a binding legal document; when you sign it, you're agreeing to repay your loan under certain terms. Read the note carefully and save it.

How much can I borrow?
The amounts you can borrow depend on your grade level in school and on the type of student you are: dependent undergraduate, independent undergraduate (or a dependent undergraduate whose parents are unable to get a PLUS Loan), or a graduate student.

ANNUAL LOAN LIMITS FOR SUBSIDIZED AND UNSUBSIDIZED STAFFORD LOANS

	Dependent Undergraduate Student	Independent Undergraduate Student	Graduate/Professional Student
1st Year	$2,625	$6,625—No more than $2,625 of this amount may be in subsidized loans.	$18,500—No more than $8,500 of this amount may be in subsidized loans.
2nd Year	$3,500	$7,500—No more than $3,500 of this amount may be in subsidized loans.	
3rd and 4th Years (each)	$5,500	$10,500—No more than $5,500 of this amount may be in subsidized loans.	
Maximum Total Debt from Stafford Loans When You Graduate	$23,000	$46,000—No more than $23,000 of this amount may be in subsidized loans.	$138,500—No more than $65,500 of this amount may be in subsidized loans. The graduate debt limit includes Stafford Loans received for undergraduate study.

NOTE: For periods of study shorter than an academic year,* the amounts you can borrow will be less than those listed. Also, you might receive less if you receive other financial aid that's used to cover a portion of your cost of attendance.*

Your school can refuse to certify your loan application or can certify a loan for an amount less than you would otherwise be eligible for if the school documents the reason for its action and explains the reason to you in writing. The school's decision is final and cannot be appealed to us.

*See "Important Terms," page 29.

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How will I receive my Stafford Loan?
Your school will disburse your loan in at least two installments; no installment will be greater than half the amount of your loan.

Your loan money must first be used to pay for your tuition, fees, and room and board. If loan funds remain, you'll receive them by check or in cash, unless you give the school written permission to hold the funds until later in the enrollment period.

If you're a first-year undergraduate student *and* a first-time borrower, your first disbursement can't be made until 30 days after the first day of your enrollment period. That way, you won't have to repay the loan if you withdraw during the first 30 days of classes. (However, you might owe money to the school for a portion of tuition or other fees.)

Can I cancel the loan if I change my mind, even if I've signed the promissory note* **agreeing to the loan's terms?**
Yes. Your school must notify you in writing whenever it credits your account with your Stafford Loan funds. You may cancel all or a portion of your loan if you inform your school within 14 days after the date your school sends you this notice, or by the first day of the payment period, whichever is later. (Your school can tell you the first day of your payment period.) If you receive Stafford Loan funds directly by check, you may refuse the funds by returning the check.

What's the interest rate on these loans?
The interest rate is variable (might change each year) but does not exceed 8.25 percent. For July 1, 2003 to June 30, 2004, the interest rate for loans in repayment was 3.42 percent. Interest rates are adjusted each year on July 1. You'll be notified of interest rate changes throughout the life of your loan.

If you have subsidized loans (see page 19), you won't be charged interest while you're enrolled in school at least **half time,*** during a grace period, or during authorized periods of deferment (see page 22). Interest will accrue (accumulate) when you enter repayment or a period of forbearance (see page 22).

If you have unsubsidized loans, you'll be charged interest from the day the loan is disbursed until it's paid in full, including in-school, grace, deferment, and forbearance periods. You can pay the interest during these periods, or it can be capitalized (see page 19).

Other than interest, is there any charge to get the loans?
You'll pay a fee of up to 4 percent of the loan, deducted proportionately from each loan disbursement. (Part of the fee is for insurance used to pay off loan defaults; the rest reduces the cost of the loan to the government.) Because of this deduction, you'll receive slightly less than the amount you're borrowing.

When do I pay back these loans?[1]
After you graduate, leave school, or drop below **half time*** enrollment, you have a six-month grace period before you begin repayment. During the grace period on a subsidized loan, you don't have to pay any principal, and you won't be charged interest. During the grace period on an unsubsidized loan, you don't have to pay any principal, but you will be charged interest. As mentioned, you can either pay the interest or it will be capitalized.

Your lender will send you information about repayment, and you'll be notified of the date repayment begins. However, you're responsible for beginning repayment on time, even if you don't receive this information. Failing to make payments on your loan can lead to **default.***

How do I pay back my Stafford Loans?
You'll repay your FFEL Stafford Loan to a private lender or loan servicer. You'll repay your Direct Loan to us at our Direct Loan Servicing Center. Direct Loan borrowers can view and pay their bills online, using their PIN, through the Servicing Center Web site: www.dl.ed.gov. (See page 9 for PIN information.)

Both the Direct Loan and FFEL programs offer four repayment plans you can choose from, but the terms differ slightly. You'll receive more detailed information on your repayment options during entrance and exit counseling sessions. The chart on the next page shows estimated monthly payments for various loan amounts under each plan.

If you don't choose a repayment plan when you first begin repayment, you'll be placed under the Standard Repayment Plan. You can change plans to suit your financial circumstances. Under the FFEL Program, you can change plans once a year. Under the Direct Loan Program, you can change plans anytime.

[1] Military personnel who have been called to active duty will have additional deferment, forbearance, or other options. The lender should be contacted for more information.

*See "Important Terms," page 29.

In some cases, it might be beneficial for you to combine one or more loans into a consolidation loan. See page 25 for more information on loan consolidation.

Direct Loans—The Direct Loan Program offers the following repayment plans:

- The Standard Repayment Plan: You pay a fixed amount each month—at least $50—for up to 10 years, not including deferment and forbearance periods. The length of your repayment period depends on your loan amount.
- The Extended Repayment Plan: You repay your loan over a period that is generally 12 to 30 years, depending on your loan amount. Your monthly payment might be lower than under the Standard Repayment Plan, but you'll repay a higher total amount of interest over the life of your loan because the repayment period is longer. The minimum monthly payment is $50.
- The Graduated Repayment Plan: Your payments will be lower at first and then increase, usually every two years. The length of your repayment period will generally range from 12 to 30 years, depending on your loan amount. Your monthly payments will never increase to more than 1.5 times what you'd pay under the Standard Repayment Plan. You'll repay a higher total amount of interest, though, because the repayment period is longer than under the Standard Repayment Plan.
- The Income Contingent Repayment Plan: Your monthly payment is based on your yearly income, family size, interest rate, and loan amount. As your income rises or falls, so do your payments. After 25 years, any remaining balance on the loan will be forgiven, but you'll have to pay taxes on the amount forgiven.

FFEL Program—Under the FFEL Program, aspects of these repayment plans will vary by lender because individual lenders can tailor the plans. Check with your lender for complete information.

The FFEL Program also offers Standard and Graduated Repayment plans. In addition, these plans are available:

- The Income Sensitive Repayment Plan: Your monthly payment is based on your yearly income and your loan amount. As your income rises or falls, so do your payments. Each payment must at least equal the interest accrued (accumulated) on the loan between scheduled payments.
- The Extended Repayment Plan is available only to FFEL borrowers who received the first loan on or after October 7, 1998, *and* who have FFELs totaling more than $30,000. Under this plan, your payments will be fixed or graduated (lower at first and then increased over time) over a period of up to 25 years.

As is true with Direct Loans, spreading your payments out over time might mean lower monthly payments, but you'll repay more because you'll pay more interest.

EXAMPLES OF TYPICAL PAYMENTS FOR DIRECT AND FFEL STAFFORD LOAN REPAYMENT PLANS[1]

(Monthly Payments and Total Repaid Under Different Repayment Plans)

Total Debt When Borrower Enters Repayment	Standard[2]		Extended[3] (20 years used as example)		Graduated (20 years used as example)		For Direct Loans Only: Income Contingent[4] (Income=$25,000) Single		Married/HOH[5]	
	Per Month	Total Repaid	Per Month	Total Repaid	Per Month	Total Repaid	Per Month	Total Repaid	Per Month	Total Repaid
$2,500	$50	$3,074	$50	$3,074	$25	$4,029	$21	$4,788	$20	$5,106
$5,000	$61	$7,359	$55	$7,893	$35	$8,649	$43	$9,576	$40	$10,212
$7,500	$92	$11,039	$82	$11,840	$53	$12,970	$64	$14,364	$60	$15,318
$10,000	$123	$14,718	$97	$17,463	$69	$19,175	$85	$19,152	$80	$20,424
$15,000	$184	$22,077	$146	$26,194	$103	$28,762	$128	$28,727	$121	$30,636
$31,000	$380	$45,627	$264	$63,394	$213	$68,854	$264	$59,370	$215	$66,087

[1] Payments are calculated using the maximum interest rate of 8.25 percent for student borrowers. For July 1, 2003 to June 30, 2004, the interest rate for loans in repayment was 3.42 percent. Interest rates are adjusted each year on July 1.
[2] Equal and fixed monthly payments ($50 minimum).
[3] Loan amounts below $31,000 apply only to Direct Loans.
[4] Assumes a 5 percent annual income growth (Census Bureau).
[5] HOH is Head of Household. Assumes a family size of two.

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Are there any tax incentives available for paying back these loans?
Yes, there are tax incentives for certain higher education expenses, including a deduction for student loan interest for certain borrowers. This benefit applies to all loans taken out to pay for postsecondary education costs. The maximum deduction is $2,500 a year. IRS Publication 970, *Tax Benefits for Higher Education*, explains these credits and other tax benefits. You can find out more at www.irs.gov or by calling the IRS at 1-800-829-1040. TTY callers can call 1-800-829-4059.

Is it ever possible to postpone repayment of my loan?
Yes, under certain conditions, you can receive a "deferment" or "forbearance" on your loan, as long as the loan isn't in **default.*** A deferment allows you to temporarily postpone payments on your loan. If you have a subsidized loan, you won't be charged interest during the deferment. If your loan is unsubsidized, you'll be responsible for the interest. You can pay the interest as it accrues (accumulates), or it will be capitalized and the amount you'll have to repay will increase (see page 19). See page 28 for the list of deferments available for loans disbursed on or after July 1, 1993.

For information on deferments available on loans received before that date, FFEL Stafford borrowers should contact the lenders or agencies holding the loans. Direct Stafford Loan borrowers can contact the Direct Loan Servicing Center at 1-800-848-0979. TTY users can call 1-800-848-0983. Or, you can go online at www.dl.ed.gov.

If you're temporarily unable to meet your repayment schedule, but you're not eligible for a deferment, your lender might grant you forbearance for a limited and specified period. During forbearance, your payments are postponed or reduced. Whether your loans are subsidized or unsubsidized, you'll be charged interest during a period of forbearance. If you don't pay the interest as it accrues, it will be capitalized.

Deferment and forbearance are not automatic. If you have a Direct Stafford Loan, you must contact the Direct Loan Servicing Center to request either option. If you have a FFEL Stafford Loan, you must contact the lender or agency that holds your loan. You might have to provide documentation to support your request. **You must continue making scheduled payments until you're notified that the deferment or forbearance has been granted.** Not making payments on your loan will have a negative effect on your credit rating, and your loan could go into **default.***

Is it ever possible to have my Stafford Loan discharged (canceled)?
Yes, in certain circumstances. A discharge releases you from all obligations to repay the loan. A complete list of cancellation provisions is given on the next page.

Your loan can't be canceled because you didn't complete the program of study at the school (unless you couldn't complete the program for a valid reason—because the school closed, for example). Cancellation also is not possible because you didn't like the school or the program of study, or you didn't obtain employment after completing the program of study.

For more information about discharge, Direct Stafford Loan borrowers should contact the Direct Loan Servicing Center. FFEL Stafford Loan borrowers should contact the lenders or agencies holding their loans.

*See "Important Terms," page 29.

DIRECT LOAN AND FFEL DISCHARGE/CANCELLATION SUMMARY

Cancellation Conditions	Amount Forgiven	Notes
Borrower's total and permanent disability[1] or death	100%	For a PLUS Loan, includes death but not disability of the student for whom the parents borrowed.
Full-time teacher for five consecutive years in a designated elementary or secondary school serving students from low-income families	Up to $5,000 of the aggregate loan amount that is outstanding after completion of the fifth year of teaching. A borrower might qualify for loan forgiveness under the Direct and FFEL Consolidation Loan programs. If so, only the portion of the consolidation loan used to repay Direct Stafford Loans or FFEL Stafford Loans qualifies.	For Direct and FFEL Stafford Loans received on or after October 1, 1998, by a borrower with no outstanding loan balance as of that date. At least one of the five consecutive years of teaching must occur after the 1997-98 academic year. (To find out whether your school is considered a low-income school, visit www.studentaid.ed.gov. Click on "Repaying," then click on "Cancellation and Deferment Options for Teachers." Or, call 1-800-4-FED-AID [1-800-433-3243].)
Bankruptcy (in rare cases)	100%	Cancellation is possible only if the bankruptcy court rules that repayment would cause undue hardship.
Closed school (before student could complete program of study) or false loan certification	100%	For loans received on or after January 1, 1986
School does not make required return of loan funds to the lender	Up to the amount that the school was required to return	For loans received on or after January 1, 1986
Child care provider (demonstration project only—limited funds). A.A. or B.A. in early childhood education required. Must have worked for two consecutive years in eligible child care facility serving low-income community.	Up to 100%	For Direct and FFEL Stafford Loans received on or after October 1, 1998, by a borrower with no outstanding loan balance as of that date. For more information, call 1-888-562-7002. Also, visit www.studentaid.ed.gov. Click on "Repaying," then go to "Discharge/Cancellation."

[1] Beginning July 1, 2002, if you are determined to be totally and permanently disabled based on a physician's certification, you'll have your loan placed in a conditional discharge period for three years. During this time, you don't have to pay principal or interest. If you continue to meet the total-and-permanent disability requirements during, and at the end of, the three-year conditional period, your loan will be canceled. If you don't continue to meet the cancellation requirements, you must resume payment. Total and permanent disability is defined as the inability to work and earn money because of an injury or illness that is expected to continue indefinitely or to result in death. You can't qualify based on a condition that existed before the loan was made, unless a doctor certifies that the condition has substantially deteriorated. For more information on qualifying for this discharge, review your **promissory note*** and contact your loan holder.

***See "Important Terms," page 29.**

PLUS Loans (Loans to Parents)

What are PLUS Loans?
They're loans your parents can get to pay for your education expenses if you're a dependent undergraduate student enrolled at least **half time.*** (See page 8 for a discussion of dependency status.) Also, your parents must have no adverse credit history. As is true for Stafford Loans (see page 19), there are FFEL PLUS Loans and Direct PLUS Loans. PLUS Loans are unsubsidized.

Can my parents get both a Direct PLUS Loan and a FFEL PLUS Loan for me?
They can apply for either loan but not both during the same enrollment period. Your parents could, however, apply for a Direct PLUS Loan for you and a FFEL PLUS Loan for one of your siblings, for example.

How do my parents apply?
For a Direct PLUS Loan, your parents must complete a Direct PLUS Loan application and **promissory note,*** contained in a single form that you will get from your school's financial aid office.

For a FFEL PLUS Loan, your parents must complete and submit a PLUS Loan application, available from your school, lender, or your state **guaranty agency.*** After the school completes its portion of the application, it must be sent to a lender for evaluation.

Although it's not a requirement, parents are encouraged to have their dependent children file a FAFSA, so their children can receive the maximum student aid they're eligible for.

Are there any borrowing requirements my parents have to meet?
Yes, generally they have to pass a credit check. If they don't pass, they might still be able to receive a loan if they can demonstrate that extenuating circumstances exist, or if someone they know—who can pass—agrees to endorse the loan and promises to repay it if your parents don't.

Also, you must meet the general eligibility requirements for federal student aid (see page 7), and your parents must also meet some of these general requirements. For example, they must be citizens or **eligible noncitizens*** and may not be in **default*** or owe a refund to any FSA program.

NOTE: Your school can refuse to certify your parents' loan application or can certify a loan for an amount less than your parents would otherwise be eligible for, if the school documents the reason for its action and explains the reason in writing. The school's decision is final and can't be appealed to us.

Do they need to find a lender?
Not if they borrow under the Direct Loan Program, because we will be their lender. Your school assists us in administering the Direct Loan Program by distributing the loan application, processing the loan, and disbursing the loan funds.

Under the FFEL Program, your parents will need to find a participating lender. For help, they should contact your school or the **guaranty agency*** that serves your state. For your state guaranty agency's address and telephone number, your parents can contact the Federal Student Aid Information Center at the address or toll-free number listed on page 13.

How much can my parents borrow?
The yearly limit on a PLUS Loan is equal to your **cost of attendance*** minus any other financial aid you receive. For example, if your **cost of attendance*** is $6,000 and you receive $4,000 in other financial aid, your parents could borrow up to—but no more than—$2,000.

Do they get the money or do I?
Your school first receives the loan funds and might require your parents to endorse a disbursement check and send it back to the school. In most cases, the loan will be disbursed in at least two installments, and no installment will be greater than half the loan amount. The funds will first be applied to your tuition, fees, room and board, and other school charges. If any loan funds remain, your parents will receive the amount as a check or in cash, unless they authorize the amount to be released to you or to be put into your school account. Any remaining loan funds must be used for your education expenses.

Can my parents cancel the loan if they change their minds, even if they've signed the promissory note* **agreeing to the loan's terms?**
Yes, they can cancel just as you can. See page 20.

What's the interest rate on PLUS Loans?
The interest rate could change each year of repayment but does not exceed 9 percent. For July 1, 2003 to June 30, 2004, the interest rate for PLUS Loans in repayment was 4.22 percent. Interest rates are adjusted each year on July 1. Your parents will be notified of interest rate changes throughout the life of their loan. Interest is charged on the loan from the date the first disbursement is made until the loan is paid in full.

*See "Important Terms," page 29.

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Other than interest, is there a charge to get a PLUS Loan?
Your parents will pay a fee of up to 4 percent of the loan, just as you would for a Stafford Loan. See page 20.

When do my parents begin repaying a PLUS Loan?
Generally, repayment must begin within 60 days after the loan is fully disbursed. There is no grace period for these loans. This means interest begins to accumulate at the time the first disbursement is made. Your parents must begin repaying both principal and interest while you're in school.

How do my parents pay back the loan?
Your parents have nearly all the repayment options that Stafford Loan borrowers have (see page 21). The only exception is the Income Contingent Repayment Plan, which is not an option for Direct PLUS borrowers. Direct PLUS Loans can also be consolidated. (See this page for more information on loan consolidation.)

Are there any tax incentives available for paying back these loans?
Yes, just as there are for Stafford Loans. See page 22.

Is it ever possible to postpone repayment of a PLUS Loan?
Yes, under certain circumstances, your parents can receive a deferment or forbearance on their loan, as long as it isn't in **default.*** Generally, the same deferment or forbearance provisions that apply to Stafford Loans also apply to PLUS Loans (see page 22). Since PLUS Loans are unsubsidized, however, your parents will be charged interest during periods of deferment. If they don't pay the interest as it accrues, it will be capitalized (see page 19).

Can a PLUS Loan be discharged (canceled)?
Yes, under certain conditions. A discharge releases your parents from all obligation to repay the loan (See page 23 for a list of cancellation provisions.)

Your parents' PLUS Loan can't be canceled because you didn't complete your program of study at your school (unless you couldn't complete the program for a valid reason—because the school closed, for example). Cancellation also is not possible because you didn't like the school or the program of study, or you didn't obtain employment after completing the program of study.

For more information about loan discharge or repayment, if your parents have a Direct PLUS Loan, they should contact the Direct Loan Servicing Center at 1-800-848-0979, or go to www.dl.ed.gov. If they have a FFEL PLUS Loan, they should contact the lender or agency holding the loan.

Consolidation Loans

A consolidation loan allows you (or your parents, if they have a PLUS Loan) to combine several types of federal student loans with various repayment schedules into one loan with one monthly repayment. Your payments might be significantly lower than under the 10-year Standard Repayment Plan, and you might receive a lower interest rate than you're currently paying on one or more of your loans. There are Direct and FFEL Consolidation Loans.

What kinds of loans can be consolidated?
All the loans discussed in this publication are eligible for consolidation, and others can be included. To get a complete list, contact your lender for a FFEL Consolidation Loan. For a Direct Consolidation Loan, contact the Loan Origination Center's Consolidation Department at 1-800-557-7392. TTY users may call 1-800-557-7395. Or, you can go to www.loanconsolidation.ed.gov.

When can I consolidate?
You can get a FFEL or a Direct Consolidation Loan during your grace period, once you've entered repayment, or during periods of deferment or forbearance. PLUS Loans are eligible for consolidation once they are fully disbursed.

You can also get a Direct Consolidation Loan (but not a FFEL Consolidation Loan) while you're in school. You must be attending at least **half time*** and have at least one Direct Loan or FFEL in an "in-school period." (Generally, your loan is in an in-school period if you have been continuously enrolled at least **half time*** since the loan was disbursed.) If the school you're attending does not participate in the Direct Loan Program, at least one of the loans you consolidate must be a Direct Loan.

If you want to consolidate during your grace period and you have a Direct Loan, you'll still keep your grace period after you leave school. If you have a FFEL, you won't keep your grace period, so it's best to consolidate near the end of the grace period to keep as much of it as possible.

*See "Important Terms," page 29.

How can I get a Consolidation Loan?
For a FFEL Consolidation Loan, you (and your parents, if they want a FFEL PLUS Consolidation Loan) can contact the consolidation department of a participating lender for an application and more information. If the same loan holder holds all the loans you want to consolidate, you must obtain your consolidation loan from that holder, unless you haven't been able to get a loan with income-sensitive repayment terms acceptable to you.

For a Direct Consolidation Loan, you (and your parents, for a Direct PLUS Consolidation Loan) can contact the Direct Loan Origination Center's Consolidation Department at the number and Web site address listed on the previous page. To get a Direct Consolidation Loan, you must consolidate at least one Direct Loan or FFEL. (For example, if you had only Federal Perkins Loans, you could not get a Direct Consolidation Loan.) If you don't have a Direct Loan, but you have a FFEL, you must first contact a FFEL lender to ask about getting a FFEL Consolidation Loan. If you can't get one, or you can't get one with income-sensitive repayment terms acceptable to you—and you're eligible for the Direct Loan Income Contingent Repayment Plan—you can get a Direct Consolidation Loan.

If your parents want to apply for a FFEL PLUS Consolidation Loan, no credit checks are required. If they want to apply for a Direct PLUS Consolidation Loan, they are subject to a check for adverse credit history.

If you're in **default*** on a federal student loan, you still might be able to consolidate, provided the defaulted loan is not subject to a judgment or wage garnishment.

You'll be given more information about consolidation loans during entrance and exit counseling sessions. You can also go to our Web site, www.studentaid.ed.gov, click on the "Repaying" tab, then click on "Loan Consolidation."

How do I pay back a Consolidation Loan?
Almost all the FFEL and Direct Loan repayment plans (see page 21) are available to FFEL and Direct Consolidation Loan borrowers, except that Direct PLUS Consolidation Loans can't be repaid under the Income Contingent Repayment Plan.

The payback term can range from 10 to 30 years, depending on the amount of debt being repaid and the repayment plan you select. Education loans not included in the consolidation loan are considered in determining the maximum payback period. You can repay your loans under a shorter period than the maximum allowed.

What's the interest rate on a Consolidation Loan?
The interest rate for both Direct and FFEL Consolidation Loans is a fixed rate for the life of the loan (unlike Direct and FFEL Stafford Loans, which have a variable interest rate). So, once you consolidate, your rate won't change, regardless of what future rates might be. The fixed rate is based on the weighted average of the interest rates on the loans you consolidate, rounded up to the nearest one-eighth of a percent. The interest rate does not exceed 8.25 percent.

Are there any disadvantages to getting a Consolidation Loan?
Yes, there could be. Consolidation significantly increases the total cost of repaying your loans. Because you can have a longer period of time to repay, you'll make more payments and pay more interest. In fact, consolidation can double total interest expense. So, compare the cost of repaying your unconsolidated loans with the cost of repaying a consolidation loan.

Consider whether you lose any borrower benefits if you consolidate, such as interest rate discounts or principal rebates—these can significantly reduce the cost of repaying your loans. Also, you might lose some discharge (cancellation) benefits if you include a Federal Perkins Loan.

Once made, consolidation loans can't be unmade because the loans that were consolidated have been paid off and no longer exist. Take the time to study your consolidation options carefully before you apply, and talk to the holder of your loans for more information before you consolidate.

*See "Important Terms," page 29.

Borrower Responsibilities AND RIGHTS

Responsibilities

When you take out a student loan, you have certain responsibilities. Here are some important ones:

- When you sign a **promissory note,*** you're agreeing to repay the loan according to the terms of the note. The note states that except in cases of loan discharge (cancellation), you must repay the loan, even if you don't complete your education (unless you couldn't for a valid reason—because the school closed, for example). Also, you *must* repay your loan even if you can't get a job after you complete the program or you don't like, or don't receive, the education you paid for.
- Think about what your repayment obligation means before you take out a loan. If you don't repay your loan on time or according to the terms in your **promissory note,*** you might go into **default,*** which has serious consequences and will affect your credit rating.
- You must make payments on your loan even if you don't receive a bill or repayment notice. Billing statements (or coupon books) are sent to you as a convenience, but you're obligated to make payments even if you don't receive any reminders. You must also make monthly payments in the full amount your repayment plan has established. Partial payments do *not* fulfill your obligation.
- If you apply for a deferment or forbearance, you must continue to make payments until you're notified the request has been granted. If you don't, you might end up in **default.*** You should keep a copy of any request form you submit, and you should document all contacts with the organization that holds your loan.
- You must notify your loan servicer when you graduate; withdraw from school; drop below **half time*** status; change your name, address, or Social Security Number; or transfer to another school.
- For Direct or FFEL Stafford Loans, you must receive entrance counseling before you're given your first loan disbursement, unless you've previously borrowed a Stafford Loan. No matter what type of federal student loan you have, you must receive exit counseling before you leave school. Your school will provide the counseling and important information about your loan. Your lender will give you additional information.

Rights

You have certain rights as a borrower. Listed below are some of them.

- Before your school makes your first loan disbursement, you must receive the following information about your loan from your school, lender, and/or the Direct Loan Servicing Center:
  - the full amount of the loan and the interest rate;
  - the date you must start repayment;
  - a complete list of any charges you must pay (loan fees) and information on how those charges are collected;
  - information about the yearly and total amounts you can borrow;
  - information about the maximum repayment periods and the minimum repayment amount;
  - an explanation of **default*** and its consequences; and
  - an explanation of available options for consolidating your loans and a statement that you can prepay your loan(s) without penalty at any time.
- Before you leave school, you will receive the following information about your loan (as part of exit counseling) from your school, lender, and/or the Direct Loan Servicing Center:
  - a current description of your loans, including average anticipated monthly payments;
  - the amount of your total debt (principal and estimated interest), your interest rate, and the total interest charges on your loan;
  - if you have FFELs, the name of the lender or agency that holds your loans, where to send your payments, and where to write or call if you have questions;

*See "Important Terms," page 29.

- if you have Direct Loans, the address and telephone number of the Direct Loan Servicing Center;
- an explanation of the fees you might be charged during the repayment period, such as late charges and collection or litigation costs if you're delinquent or in **default;***
- a reminder of available options for loan consolidation and a reminder that you can prepay your loan without penalty at any time;
- a description of applicable deferment, forbearance, and discharge (cancellation) provisions;
- repayment options and advice about debt management that will help you in making your payments; and
- notification that you must provide your expected permanent address and the name and address of your expected employer. You must also provide any corrections to your school's records concerning your name, Social Security Number, references, and driver's license number (if you have one).

- You have the right to a grace period before your repayment period begins. (Your parents do not receive a grace period for a PLUS Loan.) Your grace period begins when you leave school or drop below **half time*** status.
- Your school, lender, and/or the Direct Loan Servicing Center, as appropriate, must give you a loan repayment schedule that states when your first payment is due, the number and frequency of payments, and the amount of each payment.
- If you or your parents borrow under the FFEL Program, you (or your parents, for a PLUS Loan) must be notified when the loan is sold if the sale results in making payments to a new lender or agency. Both the old and new lender or agency must provide this notification and must provide the identity of the new lender or agency holding the loan, the address to which the borrower must make payments, and the telephone numbers of both the old and new lender or agency.

LOAN DEFERMENT SUMMARY

Deferment Condition	Direct Loans[1,2]	FFELs[1,3]	Perkins Loans
At least **half time*** study at a postsecondary school	YES	YES	YES
Study in an approved graduate fellowship program or in an approved rehabilitation training program for the disabled	YES	YES	YES
Unable to find full-time employment	Up to 3 Years	Up to 3 Years	Up to 3 Years
Economic hardship	Up to 3 Years[4]	Up to 3 Years[4]	Up to 3 Years[4]
Engages in service listed under discharge/cancellation conditions (see pages 18 and 23)	No	No	Yes[5]

NOTE: You must formally request a deferment through the procedures established by the holder of your loan, and you must continue making payments until you're notified the deferment has been granted.

[1] For PLUS Loans and unsubsidized Stafford Loans, only principal is deferred. Interest continues to accrue.

[2] A Direct Loan borrower who has an outstanding balance on a FFEL disbursed before July 1, 1993 might be eligible for additional deferments, provided the outstanding balance on the FFEL existed when the borrower received his or her first Direct Loan.

[3] Applies to loans first disbursed on or after July 1, 1993, to a borrower who has no outstanding FFEL or Federal Supplemental Loans for Students (Federal SLS) loan on the date he or she signed the promissory note. (Note that the Federal SLS Program was repealed beginning with the 1994-1995 award year.)

[4] Many Peace Corps volunteers will qualify for a deferment based on economic hardship.

[5] More information on teaching service deferments and cancellations can be found on the Internet at www.studentaid.ed.gov. At the site, click on "Repaying," then click on "Cancellation and Deferment Options for Teachers."

*See "Important Terms," page 29.

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Important TERMS

Academic Year
A period of time schools use to measure a quantity of study. For example, a school's academic year may consist of a fall and spring semester during which a student must complete 24 semester hours. Academic years vary from school to school and even from educational program to educational program at the same school.

Cost of Attendance (COA)
The total amount it will cost you to go to school—usually expressed as a yearly figure. It's determined using rules established by law. The COA includes tuition and fees; on-campus room and board (or a housing and food allowance for off-campus students); and allowances for books, supplies, transportation, loan fees, and, if applicable, dependent care. It also includes miscellaneous expenses, including an allowance for the rental or purchase of a personal computer. Costs related to a disability are also covered. The COA includes reasonable costs for eligible study-abroad programs as well. For students attending less than half time,* the COA includes only tuition and fees and an allowance for books, supplies, transportation, and dependent-care expenses. Talk to the financial aid administrator at the school you're planning to attend if you have any unusual expenses that might affect your cost of attendance.

Default
Failure to repay a loan according to the terms agreed to when you signed a promissory note.* For the FFEL and Direct Loan programs, default is more specific—it occurs if you fail to make a payment for 270 days if you repay monthly (or 330 days if your payments are due less frequently). The consequences of default are severe. Your school, the lender or agency that holds your loan, the state, and the federal government may all take action to recover the money, including notifying national credit bureaus of your default. This affects your credit rating for a long time. For example, you might find it very difficult to borrow money from a bank to buy a car or a house. In addition, the Internal Revenue Service can withhold your U.S. individual income tax refund and apply it to the amount you owe, or the agency holding your loan might ask your employer to deduct payments from your paycheck. Also, you're liable for loan collection expenses. If you return to school, you're not entitled to receive additional federal student aid. Legal action also might be taken against you. In many cases, default can be avoided by submitting a request for a deferment, forbearance, or discharge (cancellation) and by providing the required documentation.

Eligible Noncitizen
You must be one of the following to receive federal student aid:

- U.S. citizen
- U.S. national (includes natives of American Samoa or Swain's Island)
- U.S. permanent resident who has an I-151, I-551, or I-551C (Alien Registration Receipt Card)

If you're not in one of these categories, you must have an Arrival-Departure Record (I-94) from the Bureau of Citizenship and Immigration Services (formerly the U.S. Immigration and Naturalization Service) showing one of the following designations:

- "Refugee"
- "Asylum Granted"
- "Cuban-Haitian Entrant, Status Pending"
- "Conditional Entrant" (valid only if issued before April 1, 1980)

If you have only a Notice of Approval to Apply for Permanent Residence (I-171 or I-464), you aren't eligible for federal student aid.

If you're in the United States on certain visas, including an F1 or F2 student visa, or a J1 or J2 exchange visitor visa, you're not eligible for federal student aid. Also, persons with G series visas (pertaining to international organizations) are not eligible. For more information about other types of visas that are not acceptable, check with your school's financial aid office.

Citizens and eligible noncitizens may receive loans from the FFEL Program at participating foreign schools. Citizens of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau are eligible only for Federal Pell Grants, Federal Supplemental Educational Opportunity Grants, or Federal Work-Study. These applicants should check with their schools' financial aid offices for more information.

Eligible Program
A program of organized instruction or study that leads to an academic, professional, or vocational degree or certificate, or other recognized educational credential. To receive federal student aid, you must be enrolled in an eligible program, with two exceptions:

- If a school has told you that you must take certain course work to qualify for admission into one of its

eligible programs, you can get a Stafford Loan for up to 12 consecutive months while you're completing that preparatory course work. You must be enrolled at least half time, and you must meet the usual student aid eligibility requirements.

- If you're enrolled at least half time in a program to obtain a professional credential or certification required by a state for employment as an elementary or secondary school teacher, you can get a Federal Perkins Loan, Federal Work-Study, a Stafford Loan, or your parents can get a PLUS Loan, while you're enrolled in that program.

Financial Aid Package
The total amount of financial aid (federal and nonfederal) a student receives. The financial aid administrator at a postsecondary institution combines various forms of aid into a "package" to help meet a student's need. Using available resources to give each student the best possible package of aid is one of the aid administrator's major responsibilities. Because funds are often limited, an aid package might fall short of the amount a student is eligible for. Also, the amount of federal student aid in a package is affected by other sources of aid received (scholarships, state aid, etc.).

General Education Development (GED) Certificate
A certificate students receive if they've passed a specific, approved high school equivalency test. Students who have a GED may still qualify for federal student aid. A school that admits students without a high school diploma must make available a GED program in the vicinity of the school and must inform students about the program.

Guaranty Agency
The organization that administers the Federal Family Education Loan (FFEL) Program in your state. This agency is the best source of information on FFELs. For the name, address, and telephone number of the agency serving your state, you can contact the Federal Student Aid Information Center at the address or phone number listed on page 13.

Half time
At schools measuring progress in credit hours and semesters, trimesters, or quarters, "half time" is at least six semester hours or quarter hours per term for an undergraduate program. At schools measuring progress by credit hours but not using semesters, trimesters, or quarters, "half time" is at least 12 semester hours or 18 quarter hours per year. At schools measuring progress by clock hours, "half time" is at least 12 hours per week. Note that schools may choose to set higher minimums than these. You must be attending school at least half time to be eligible for a Stafford Loan. Half-time enrollment is not a requirement to receive aid from the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work-Study, and Federal Perkins Loan programs.

National Student Loan Data System (NSLDS)
Our database for federal student aid—you can find out about the aid you've already received. (If you've only just applied for aid, you won't find any information on NSLDS yet.) NSLDS receives data from schools, agencies that guarantee loans, and U.S. Department of Education programs. The NSLDS Web site is generally available 24 hours a day, seven days a week. By using your PIN (see page 9), you can get information on federal loan and/or grant amounts, outstanding balances, the status of your loans, and disbursements made. You can access NSLDS at www.nslds.ed.gov.

Promissory Note
The binding legal document you sign when you get a student loan. It lists the conditions under which you're borrowing and the terms under which you agree to pay back the loan. It will include information on how interest is calculated and what the deferment and cancellation provisions are. It's very important to read and save this document because you'll need to refer to it later when you begin repaying your loan.

Regular Student
One who is enrolled or accepted for enrollment at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution. Generally, to receive aid from the programs discussed in this booklet, you must be a regular student. (For some programs, there are exceptions to this requirement. See the definition of eligible program.)

Satisfactory Academic Progress
To be eligible to receive federal student aid, you must meet and maintain your school's standards of satisfactory academic progress toward a degree or certificate offered by that institution. Check with your school to find out its standards.

Selective Service Registration
To receive federal student aid, if you are a male born on or after January 1, 1960, are at least 18 years old, and are not currently on active duty in the U.S. Armed Forces, you must register, or arrange to register, with the Selective Service. (Citizens of the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau are exempt from registering.)

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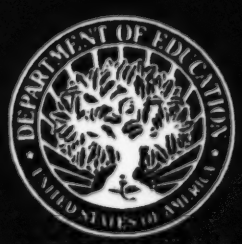
State Higher EDUCATION AGENCIES

These agencies provide information on state education programs, colleges and universities, student aid assistance programs, grants, scholarships, continuing education programs, career opportunities, and some guaranty agencies. You can search the U.S. Department of Education's database at www.studentaid.ed.gov for contact information and Web site addresses. At the site, click on "Funding," then look under "State Aid."

You can also contact the agency by calling the telephone number listed below:

Alabama	1-334-242-1998
Alaska	1-800-441-2962
Arizona	1-602-258-2435
Arkansas	1-800-547-8839
California	1-888-224-7268
Colorado	1-303-866-2723
Connecticut	1-860-947-1833
Delaware	1-800-292-7935
District of Columbia	1-202-727-6436
Florida	1-888-827-2004
Georgia	1-800-776-6878
Hawaii	1-808-956-8213
Idaho	1-208-334-2270
Illinois	1-800-899-4722
Indiana	1-317-232-2350
Iowa	1-800-383-4222
Kansas	1-785-296-3421
Kentucky	1-800-928-8926
Louisiana	1-800-259-5626
Maine	1-800-228-3734
Maryland	1-410-260-4543
Massachusetts	1-617-994-6950
Michigan	1-888-447-2687
Minnesota	1-800-657-3866
Mississippi	1-601-432-6997
Missouri	1-800-473-6757
Montana	1-406-444-6597
Nebraska	1-402-471-0030
Nevada	1-775-687-9228
New Hampshire	1-603-271-2555
New Jersey	1-800-792-8670
New Mexico	1-800-279-9777
New York	1-888-697-4372
North Carolina	1-919-549-8614
North Dakota	1-701-328-2960
Ohio	1-888-833-1133
Oklahoma	1-800-858-1840
Oregon	1-800-452-8807
Pennsylvania	1-800-692-7392
Rhode Island	1-800-922-9855
South Carolina	1-803-737-2260
South Dakota	1-605-773-3455
Tennessee	1-615-741-1346
Texas	1-877-782-7322
Utah	1-801-321-7207
Vermont	1-800-642-3177
Virginia	1-804-225-2632
Washington	1-360-753-7800
West Virginia	1-888-825-5707
Wisconsin	1-608-267-2206
Wyoming	1-307-777-6832
American Samoa	011-684-699-9155
Guam	1-671-735-2280
Northern Mariana Islands	1-670-234-6128
Puerto Rico	1-787-724-7100
Republic of the Marshall Islands	011-692-625-3394
Republic of Palau	011-680-488-1464
Virgin Islands	1-340-774-4546

www.studentaid.ed.gov



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